

CITY OF ROCK VALLEY, IOWA  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION AND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended  
June 30, 2015

**CITY OF ROCK VALLEY, IOWA  
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**CITY OF ROCK VALLEY, IOWA**

**OFFICIALS**

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<b>Name</b>	<b>Title</b>	<b>Term Expires</b>
Kevin Van Otterloo	Mayor	January, 2016
Dale Kooima	Mayor ProTem	January, 2018
Mark McGill	Council Member	January, 2016
Jeff Koldenhoven	Council Member	January, 2016
Bonita Van Otterloo	Council Member	January, 2018
Jeremy Van't Hul	Council Member	January, 2018
Tom Van Maanen	City Administrator	Indefinite
Tina Vande Kampe	City Clerk	Indefinite
Jenny Winterfeld	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
Rock Valley, Iowa

### **Report on the Financial Statements**

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rock Valley, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rock Valley, Iowa, as of June 30, 2015, and the respective changes in the cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### ***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting

principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

### ***Emphasis of Matter***

As discussed in note 6 to the financial statements, the City of Rock Valley, Iowa adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No 27. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rock Valley's basic financial statements. We audited in accordance with standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those cash basis financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supplementary information and schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the supplementary information and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the budgetary comparison and the schedules for net pension liabilities on pages 4 through 8 and 28 through 29, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated March 22, 2016 on our consideration of the City of Rock Valley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Rock Valley's internal control over financial reporting and compliance.

*William & Ludwig, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
March 22, 2016

**CITY OF ROCK VALLEY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

The City of Rock Valley provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

**2014-2015 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities increased 53.26%, or approximately \$2,314,903 from fiscal year 2014 to fiscal 2015 due to reimbursements from FEMA for the 2014 flood event and grants from Iowa Department of Transportation for the Highway 18 project. Property tax increased approximately 15.2%. Taxes collected in fiscal year 2014 totaled \$1,109,946 and \$1,278,481 in fiscal year 2015, an increase of \$168,535 due to continued residential, commercial and industrial development in Rock Valley. Local Option Sales Tax receipts increased \$29,685 from fiscal year 2014 to fiscal year 2015 due to an upturn in taxable sales in Sioux County. Intergovernmental receipts increased 385.2% or \$1,760,941 from fiscal year 2014 to fiscal year 2015 due to the City receiving Iowa DOT grants in fiscal year 2015 and none in fiscal year 2014. Tax increment financing revenue increased 6.0% or approximately \$77,380 from 2014 to 2015 was due to an increase in taxable assessments.
- Disbursements of the City's governmental activities increased 42.28% or approximately \$2,902,233 from fiscal year 2014 to fiscal year 2015. Of this total increase, approximately \$1,674,865 is related to capital projects which include the Highway 18 project. Public Works increased \$577,219, Debt Service increased \$283,161 and Public Safety increased \$135,011.
- The City's total cash basis net position increased 1.4% or approximately \$5,084 from June 30, 2014 to June 30, 2015.

**USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### **Government –Wide Financial Statements**

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position – Cash Basis reports information which helps answer this question.

The Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Position presents is divided into two kinds of activities:

- Government Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system and the electric system. These activities are financed primarily by user charges

### **Fund Financial Statements**

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, and 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The city maintains four Enterprise Funds to provide separate information for the Water Fund, Sewer Fund, Garbage Fund and Campground Fund.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENTAL FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased \$1,094,128. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year Ended June 30,	
	2015	2014
Receipts		
Property Taxes .....	\$ 1,278,481	\$ 1,109,946
TIF Revenue .....	1,366,396	1,289,016
Local Option Sales Tax .....	390,528	360,843
Other City Taxes .....	209,953	227,056
Licenses and Permits .....	5,075	6,090
Use of Money and Property .....	-	7,150
Rental of City Property .....	7,740	-
Charges for Services .....	291,185	222,152
Intergovernmental .....	2,218,074	457,133
Special Assessment .....	-	5,590
Contributions .....	74,078	40,179
Interest on Investments .....	3,444	5,213
Reimbursements .....	47,541	27,519
Miscellaneous .....	396,037	215,742
Total Receipts .....	6,288,532	3,973,629
Disbursements:		
Public Safety .....	786,392	651,381
Public Works .....	905,330	328,111
Culture and Recreation .....	742,952	536,499
Community and Economic Development .....	484,962	497,446
General Government .....	514,158	476,150
Debt Service .....	2,129,380	1,846,219
Capital Projects .....	4,203,841	2,528,976
Total Disbursements .....	9,767,015	6,864,782
(Decrease) in Cash Basis Net Position – Before Transfers .....	(3,478,483)	(2,891,153)
Total other financing sources .....	4,572,611	1,996,355
Cash Basis Net Position – Beginning of Year .....	(864,604)	106,825
Prior Period Adjustment .....	-	(76,631)
Cash Basis Net Position – Beginning of Year, Restated .....	(864,604)	30,194
Cash Basis Net Position – End of Year .....	\$ 229,524	\$ (864,604)

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The City's property tax rate for fiscal year 2015 was at \$13.33785, which is a decrease of \$0.00199 from fiscal year 2014. The Council continues to try to attain a lower tax levy as the property tax base increases.

The cost of all governmental activities increased this year by 42.3%, to \$9,767,015 compared to \$6,864,782 last year. The increase in disbursements is due to the Highway 18, Rock Ridge Road and East Meadows Road projects. In addition, the City incurred additional expenditures due to the flood cleanup.

### Changes in Cash Basis Net Position of Business Type Activities

	Year Ended June 30,	
	2015	2014
Receipts:		
Operating Receipts:		
Water .....	\$ 745,680	\$ 778,910
Sewer .....	765,037	758,744
Garbage .....	244,921	274,006
Campground .....	89,857	109,842
Sale of Capital Asset .....	-	65,250
Intergovernmental Revenue .....	33,360	34,923
Total Receipts .....	1,878,855	2,021,675
Disbursements:		
Operating Disbursements:		
Water .....	641,564	604,694
Sewer .....	469,442	392,713
Garbage .....	147,159	185,029
Campground .....	177,123	131,323
Total Disbursements .....	1,435,288	1,313,759
Change in Cash Basis Net Position - Before Transfers .....	443,567	707,916
Net Transfers .....	(1,532,611)	(96,355)
Change in Cash Basis Net Position .....	(1,089,044)	611,561
Cash Basis Net Position – Beginning of Year .....	1,223,144	534,952
Prior Period Adjustment .....	-	76,631
Cash Basis Net Position – Beginning of Year, Restated .....	1,223,144	611,583
Cash Basis Net Position – End of Year .....	\$ 134,100	\$ 1,223,144

### INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$798,495 due to a significant increase in the amount of transfers out of the Fund and a decrease in operating receipts because of negative impacts from the flood.
- The Sewer Fund cash balance decreased \$254,404 due a significant increase in the amount of transfers out of the Fund.
- The Garbage Fund cash balance increased \$57,762 as operating receipts exceeded disbursements and transfers out.
- The Campground Fund cash balance decreased \$93,906 due to the campground being closed for part of the season because of the flooding that occurred in June 2014.

### BUDGETARY HIGHLIGHTS

The City suffered severe financial impacts because of the flood. Receipts were impacted with the loss of utility customers as properties were being renovated or as they were demolished. In addition, the City experienced higher costs to rebuild after the flood. The City will receive assistance from FEMA and Iowa Homeland Security to recover 85% of the rebuilding cost but the time it takes to be reimbursed is lengthy.

### DEBT ADMINISTRATION

A comparison of the City's debt at June 30, 2014 to June 30, 2015 follows:

	Year Ended June 30,	
	2015	2014
General Obligation .....	\$ 7,351,857	\$ 6,184,357
Urban Renewal TIF Revenue Bonds .....	295,000	355,000
Revenue Notes / Loans .....	4,829,00	4,769,000
Total .....	\$ 12,475,857	\$ 11,308,357

## **ECONOMIC FACTORS**

The City has an aggressive philosophy in investing in the infrastructure that is needed to promote and stimulate continued growth of Rock Valley. These investments include the recent Highway 18, 10<sup>th</sup> Avenue, 30<sup>th</sup> Avenue, 19<sup>th</sup> Avenue, Rock Ridge Road and East Meadows Road capital projects. The City continues to invest in the water and sewer enterprises so that these utilities are capable of handling additional customers. These investments along with the growth of the industries in Rock Valley are why the property tax valuations have increased from \$182,724,597 in 2010 to \$217,113,824 in 2015 and the taxable valuations increased from \$108,295,825 in 2010 to \$138,952,847 in 2015. With the City's investment in residential developments, the City has seen ninety-five new houses and seven apartment units with a total of thirty units constructed since 2011.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact Tina Vande Kamp, City Clerk, 1505 Main Street, Rock Valley, Iowa 51247, (712) 476-5707.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF ROCK VALLEY, IOWA**  
**STATEMENT OF ACTIVITIES AND NET POSITION - CASH BASIS**  
**As of and For the Year Ended June 30, 2015**

Functions/Programs	Disbursements	Charges for Services	Program Receipts	
			Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
Public Safety	\$ 786,392	\$ 125,631	\$ 53,178	\$ -
Public Works	905,330	-	-	348,757
Culture and Recreation	742,952	173,294	35,177	-
Community and Economic Development	484,962	-	30,675	-
General Government	514,158	-	296,131	-
Capital Outlay	4,203,841	-	-	1,567,500
Principal	1,656,007	-	-	-
Interest	473,373	-	-	-
Total governmental activities	<u>9,767,015</u>	<u>298,925</u>	<u>415,161</u>	<u>1,916,257</u>
<b>Business-Type Activities:</b>				
Water Utility	641,564	745,680	-	-
Sewer Utility	469,442	244,921	-	-
Garbage Utility	147,159	765,037	-	33,360
Campground	177,123	89,857	-	-
Total Business-Type Activities:	<u>1,435,288</u>	<u>1,845,495</u>	<u>-</u>	<u>33,360</u>
Total Primary Government	<u>\$ 11,202,303</u>	<u>\$ 2,144,420</u>	<u>\$ 415,161</u>	<u>\$ 1,949,617</u>

General Receipts:  
Property taxes  
Tax Increment Financing  
Local Option Sales Tax  
Interest  
Reimbursements  
Sale of Assets  
Franchise Taxes/Fees  
Miscellaneous  
Proceeds from Financing  
Interfund Transfers  
Total general receipts and transfers  
Change in cash basis net position  
Cash basis net position - beginning  
Cash basis net position - ending

Cash Basis Net Position  
Restricted:  
Streets  
TIF  
Debt Service  
Employee Benefits  
Other Purposes  
Unrestricted  
Total Cash Basis Net Position

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (607,583)		\$ (607,583)
(556,573)		(556,573)
(534,481)		(534,481)
(454,287)		(454,287)
(218,027)		(218,027)
(2,636,341)		(2,636,341)
(1,656,007)		(1,656,007)
(473,373)		(473,373)
<u>(7,136,672)</u>		<u>(7,136,672)</u>
	\$ 104,116	104,116
	(224,521)	(224,521)
	651,238	651,238
	(87,266)	(87,266)
	<u>443,567</u>	<u>443,567</u>
<u>(7,136,672)</u>	<u>443,567</u>	<u>(6,693,105)</u>
1,278,481	-	1,278,481
1,366,396	-	1,366,396
390,528	-	390,528
3,444	-	3,444
35,765	-	35,765
5,362	-	5,362
209,953	-	209,953
368,260	-	368,260
3,040,000	-	3,040,000
1,532,611	(1,532,611)	-
<u>8,230,800</u>	<u>(1,532,611)</u>	<u>6,698,189</u>
1,094,128	(1,089,044)	5,084
(864,604)	1,223,144	358,540
<u>\$ 229,524</u>	<u>\$ 134,100</u>	<u>\$ 363,624</u>
\$ 229,197	\$ -	\$ 229,197
200,533	-	200,533
309,280	-	309,280
68,947	-	68,947
164,979	-	164,979
(743,412)	134,100	(609,312)
<u>\$ 229,524</u>	<u>\$ 134,100</u>	<u>\$ 363,624</u>

See Accompanying Notes to Financial Statements

CITY OF ROCK VALLEY, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
Governmental Funds  
As of and For the Year Ended June 30, 2015

	General	Employee Benefits	Special Revenue		
			Capital Improvement Levy Fund	Local Option Sales Tax	Road Use Tax
Receipts:					
Property Taxes	\$ 718,994	\$ 143,142	\$ 10,256	\$ -	\$ -
Tax Increment Financing	-	-	-	-	-
Other City Taxes	209,953	-	-	-	-
Licenses and Permits	5,075	-	-	-	-
Intergovernmental	279,811	3,312	233	-	348,757
Charges for Services	291,185	-	-	-	-
Contributions	74,078	-	-	-	-
Local Option Sales Tax	-	-	-	390,528	-
Rental of City Property	7,740	-	-	-	-
Interest on Investments	3,444	-	-	-	-
Reimbursements	-	-	-	-	-
Miscellaneous	244,071	-	-	-	-
Total Receipts	1,834,351	146,454	10,489	390,528	348,757
Disbursements:					
Public Safety	738,263	48,129	-	-	-
Public Works	697,023	2,547	-	-	205,760
Culture and Recreation	723,509	19,443	-	-	-
Community and Economic Development	108,684	-	-	55,929	-
General Government	505,305	8,853	-	-	-
Capital Projects	-	-	-	-	-
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest	-	-	-	-	-
Total Disbursements	2,772,784	78,972	-	55,929	205,760
Excess (Deficiency) of Receipts to Disbursements	(938,433)	67,482	10,489	334,599	142,997
Other financing sources (uses):					
Proceeds from General Obligation Bonds	-	-	-	-	-
Proceeds from Revenue Bonds	-	-	-	-	-
Proceeds from Operating Loan	-	-	-	-	-
Transfers In	667,318	-	-	-	-
Transfers Out	-	-	(156,040)	(497,430)	(114,588)
Total other financing sources	667,318	-	(156,040)	(497,430)	(114,588)
Change in Cash Balances	(271,115)	67,482	(145,551)	(162,831)	28,409
Cash Balances (Deficits) - Beginning of Year	21,967	1,465	161,653	311,708	200,788
Cash Balances (Deficits) - End of Year	\$ (249,148)	\$ 68,947	\$ 16,102	\$ 148,877	\$ 229,197
Cash Basis Fund Balances (Deficits)					
Restricted for:					
Debt Service	-	-	-	-	-
Streets	-	-	-	-	229,197
TIF	-	-	-	-	-
Employee Benefits	-	68,947	-	-	-
Other Purposes	-	-	16,102	148,877	-
Assigned to:					
Library	16,927	-	-	-	-
Fire Department	62,277	-	-	-	-
Ambulance	179,791	-	-	-	-
Unassigned	(508,143)	-	-	-	-
Total Cash Basis Fund Balances (Deficits)	\$ (249,148)	\$ 68,947	\$ 16,102	\$ 148,877	\$ 229,197

## Exhibit B

Special Revenue			Nonmajor		Total Governmental Funds
TIF Fund	Debt Service	Capital Projects	Other Governmental Funds		
\$ -	\$ 383,805	\$ -	\$ 22,284	\$ 1,278,481	
1,366,396	-	-	-	1,366,396	
-	-	-	-	209,953	
-	-	-	-	5,075	
11,219	6,723	1,567,500	519	2,218,074	
-	-	-	-	291,185	
-	-	-	-	74,078	
-	-	-	-	390,528	
-	-	-	-	7,740	
-	-	-	-	3,444	
-	-	-	47,541	47,541	
-	-	151,966	-	396,037	
1,377,615	390,528	1,719,466	70,344	6,288,532	
-	-	-	-	786,392	
-	-	-	-	905,330	
-	-	-	-	742,952	
207,297	-	-	113,052	484,962	
-	-	-	-	514,158	
-	-	4,203,841	-	4,203,841	
-	1,656,007	-	-	1,656,007	
-	473,373	-	-	473,373	
207,297	2,129,380	4,203,841	113,052	9,767,015	
1,170,318	(1,738,852)	(2,484,375)	(42,708)	(3,478,483)	
-	2,400,000	-	-	2,400,000	
-	390,000	-	-	390,000	
-	250,000	-	-	250,000	
-	2,137,276	3,396,154	86,000	6,286,748	
(1,136,963)	(2,790,000)	(36,313)	(22,803)	(4,754,137)	
(1,136,963)	2,387,276	3,359,841	63,197	4,572,611	
33,355	648,424	875,466	20,489	1,094,128	
167,178	(339,144)	(1,187,132)	(203,087)	(864,604)	
\$ 200,533	\$ 309,280	\$ (311,666)	\$ (182,598)	\$ 229,524	
-	309,280	-	-	309,280	
-	-	-	-	229,197	
200,533	-	-	-	200,533	
-	-	-	-	68,947	
-	-	-	-	164,979	
-	-	-	-	16,927	
-	-	-	-	62,277	
-	-	-	-	179,791	
-	-	(311,666)	(182,598)	(1,002,407)	
\$ 200,533	\$ 309,280	\$ (311,666)	\$ (182,598)	\$ 229,524	

See Accompanying Notes to Financial Statements

**CITY OF ROCK VALLEY, IOWA**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN CASH BALANCES**  
**Proprietary Funds**  
**As of and For the Year Ended June 30, 2015**

	<b>Business Type Activities</b>	
	<b>Water Utility</b>	<b>Sewer Utility</b>
Operating Receipts:		
Charges for Services	\$ 745,680	\$ 765,037
Total Operating Receipts	<u>745,680</u>	<u>765,037</u>
Operating Disbursements:		
Employee Services	351,137	124,325
Distribution / Collection	138,904	239,079
Supplies	-	30,459
Repairs	73,482	26,706
Utilities	25,430	38,873
Administrative and General	52,611	10,000
Total Operating Disbursements	<u>641,564</u>	<u>469,442</u>
Excess (Deficiency) of Receipts Over Disbursements	104,116	295,595
Non-Operating Receipts:		
Intergovernmental Revenue	-	-
Total Non-Operating Receipts	<u>-</u>	<u>-</u>
Excess (Deficiency) of Receipts Over Disbursements	104,116	295,595
Transfers Out	<u>(902,611)</u>	<u>(550,000)</u>
Change in Cash Balances	(798,495)	(254,405)
Cash Balances (Deficits) - Beginning of Year	572,076	818,711
Cash Balances (Deficits) - End of Year	<u>\$ (226,419)</u>	<u>\$ 564,306</u>

See Accompanying Notes to Financial Statements

Exhibit C

Business Type Activities		
Garbage	Campground	Total
\$ 244,921	\$ 89,857	\$ 1,845,495
244,921	89,857	1,845,495
81,212	40,637	597,311
53,078	-	431,061
10,614	23,635	64,708
-	93,387	193,575
-	4,185	68,488
2,255	15,279	80,145
147,159	177,123	1,435,288
97,762	(87,266)	410,207
-	33,360	33,360
-	33,360	33,360
97,762	(53,906)	443,567
(40,000)	(40,000)	(1,532,611)
57,762	(93,906)	(1,089,044)
(205,669)	38,026	1,223,144
\$ (147,907)	\$ (55,880)	\$ 134,100

See Accompanying Notes to Financial Statements

**CITY OF ROCK VALLEY, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Rock Valley is a political subdivision of the State of Iowa located in Sioux County. It was first incorporated in 1879 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water, sewer, garbage collection and campground facilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Rock Valley has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Rock Valley has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City also participates in several jointly governed organizations that provide goods or services to the citizens of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Rock Valley Economic Development Corporation, Rock Valley Economic Development Corporation Loan Fund, Northwest Iowa Landfill, Sioux County Revolving Loan Fund and Rock Valley Summer Recreation.

**B. Basis of Presentation**

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position – reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in two categories:

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

**CITY OF ROCK VALLEY, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Unrestricted net position* consists of net position not meeting the definition of the preceding category. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Employee Benefits Fund is used to account for property taxes levied to pay for a portion of the benefits paid to City employees.

The Capital Improvement Levy Fund is used to account for property taxes levied to pay for portions of new capital improvements the City completes.

The Local Option Sales Tax Fund is used to account for the one percent local sales and services tax activity.

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The TIF Fund was established in a previous fiscal year to account for major urban renewal projects and tax increment financing collections and the repayment of tax increment financing indebtedness within the City.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for the governmental receipts, charges to services, special assessments and miscellaneous receipts pertaining to its capital projects, as well as the disbursements of those projects.

**CITY OF ROCK VALLEY, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Garbage Fund accounts for the operation and maintenance of the City's garbage collection system.

The Campground Fund accounts for the operation and maintenance of the City's campground system.

**C. Measurement Focus and Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Governmental Cash Basis Fund Balances:**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the Council intends to use for specific purposes.

**CITY OF ROCK VALLEY, IOWA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Unassigned - All amounts not included in other spendable classifications.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information.

**Note 2 – CASH AND POOLED INVESTMENTS**

The City's deposits at June 30, 2015 were entirely covered by Federal depository insurance, or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments at June 30, 2015; however, the City's time deposits were as follows:

	<u>Maturity Date</u>	
Certificates of Deposit	July 4, 2015	<u>\$100,000</u>

Interest Rate Risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

**NOTE 3 – BONDS AND NOTES PAYABLE**

The City's computed legal debt limit as of June 30, 2015, is \$10,407,905 of which \$7,351,857 is committed for outstanding general obligation debt and \$295,000 is committed for tax increment financing debt.

The following is a summary of bond transactions of the City for the year ended June 30, 2015:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
	<b>General Obligation Bonds and Notes Payable by Debt Service Fund</b>	<b>Bonds and Notes Paid by Enterprise Funds</b>
<b>Primary Government</b>		
Bonds and notes payable July 1, 2014	\$ 6,184,357	\$ 4,769,000
Plus: bonds and notes issued	2,400,000	390,000
Less: payments	(1,232,500)	(330,000)
Bonds and notes payable June 30, 2015	<u>\$ 7,351,857</u>	<u>\$ 4,829,000</u>
Due within one year	<u>\$ 1,203,857</u>	<u>\$ 351,000</u>

**CITY OF ROCK VALLEY, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 3 – BONDS AND NOTES PAYABLE (CONTINUED)**

Annual debt service requirements to maturity of General Obligation Bonds and Notes, Tax Increment Financing Revenue bonds, and Business Type Notes/Loans are as follows:

Year Ending June 30	General Obligation Bonds and Notes		Tax Increment Financing Revenue Bonds		Business Type Notes/Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$1,203,857	\$ 276,274	\$ 60,000	\$14,201	\$ 351,000	\$ 163,065	\$ 1,614,857	\$ 453,540
2017	1,098,000	232,150	70,000	11,561	369,000	147,213	1,537,000	390,924
2018	995,000	193,387	80,000	8,341	377,000	134,689	1,452,000	336,417
2019	870,000	157,275	85,000	7,606	300,000	121,428	1,255,000	286,309
2020	815,000	125,076	-	-	308,000	112,363	1,123,000	237,439
2021 – 2025	2,370,000	219,994	-	-	1,652,000	408,240	4,022,000	628,234
2026 – 2030	-	-	-	-	1,472,000	147,674	1,472,000	147,674
Total	\$7,351,857	\$1,204,156	\$ 295,000	\$41,709	\$4,829,000	\$1,234,672	\$12,475,857	\$2,480,537

The code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund. However, \$7,500 of general obligation bond principal was paid from the RLF Firefighting Equipment Fund, which is included in the general fund, during the year end June 30, 2015.

Urban Renewal Tax Increment Financing Revenue Bonds

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of various construction and refurbishing projects within the urban renewal district of the City. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$336,709 payable through June 2019. For the current year, principal and interest paid and total TIF receipts were \$76,660 and \$1,366,396, respectively.

Revenue Notes and Loans

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$450,000 in water revenue notes issued in June, 2008 and \$1,359,000 in water revenue notes issued in February, 2009. Proceeds from the notes provided financing for the construction of a pump station, a water main and water treatment facilities. The notes are payable solely from water customer net receipts and are payable through 2018 and 2029, respectively. The total principal and interest remaining to be paid on the notes is \$1,207,000 and \$286,236, respectively. For the current year, principal and interest paid per issuance and total customer net receipts were \$108,000, \$42,110, and \$745,680, respectively.

**CITY OF ROCK VALLEY, IOWA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**NOTE 3 – BONDS AND NOTES PAYABLE (CONTINUED)**

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$260,000 in sewer revenue notes issued in June, 2008, \$3,947,795 in sewer revenue notes issued in November, 2009 and \$390,000 in sewer revenue notes issued in January 2015. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment system. The notes are payable solely from sewer customer net receipts and are payable through 2018, 2030 and 2024, respectively. The total principal and interest remaining to be paid on the notes is \$3,622,000 and \$948,436, respectively. The total principal and interest paid per issuance and total customer net receipts were \$222,000, \$105,320, and \$765,037, respectively.

The resolution providing for the issuance of the revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b) The City does not expect to create or establish any sinking fund or similar fund in respect to the notes. No amounts in any other account or funds of the City are reserved or pledged for debt service on the notes.

**NOTE 4 – LINE OF CREDIT**

The City of Rock Valley maintains a line of credit with Peoples Bank at a variable rate which is determined to be the current prime rate less 1.25 percent. At June 30, 2015, the City had a \$250,000 outstanding balance on the line of credit but could borrow up to \$500,000. The interest rate at June 30, 2015 was 4 percent.

**NOTE 5 – LEASES**

The City of Rock Valley (lessee) on August 15, 2007, entered into a nonmaintenance lease agreement with Peoples Bank, Rock Valley, Iowa (lessor) for the use of a 2007 International Truck. The lessor grants to the City of Rock Valley the option to renew the lease agreement on an annual basis for a period of up to ten (10) years at an annual principal amount of \$7,700 plus interest. The renewal option places no obligation or duty upon the City to renew the lease agreement.

The City of Rock Valley (lessee) On August 25, 2011, entered into a nonmaintenance lease agreement with U.S. Bancorp Equipment Finance, Inc. (lessor) for the use of a 2012 Freightliner Truck. The lessor grants to the City of Rock Valley the option to renew the lease agreement on an annual basis for a period of up to five (5) years at an annual amount of \$25,250. The renewal option places no obligation or duty upon the City to renew the lease agreement.

The City of Rock Valley (lessee) on January 31, 2013 entered into a capital lease agreement with Kansas State Bank, Manhattan, Kansas, (lessor) for the use of a 2013 Freightliner Truck, used in the garbage utility. The lessor grants the City of Rock Valley the option to renew the lease agreement on an annual basis for a period of up to six (6) years at an annual amount of \$32,950. The renewal option places no obligation or duty upon the City to renew the lease agreement.

The City of Rock Valley (lessee) on May 16, 2014 entered into a capital lease agreement with Kansas State Bank of Manhattan, Kansas (lessor) for the use of a 2014 Pelican Street Sweeper. The lessor grants the City of Rock Valley the option to renew the lease agreement on an annual basis for up to five (5) years at an annual amount of \$32,798. The renewal option places no obligation or duty upon the City to renew the lease agreement.

**CITY OF ROCK VALLEY, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE 6 – PENSION PLAN**

*Plan description* – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

*Pension Benefits* - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55.

The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary).

Protection occupation members may retire at normal retirement age which is generally at age 55. The formula used to calculate a protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

*Disability and Death Benefits* - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

**CITY OF ROCK VALLEY, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE 6 – PENSION PLAN (CONTINUED)**

*Contributions* - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30 year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Protective occupation members contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.80 percent.

The City's total contributions to IPERS for the year ended June 30, 2015 were \$97,273.

*Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions* - At June 30, 2015, the City's liability for its proportionate share of collective net pension liability totaled \$385,280. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.0102963 percent, which was an increase of 0.000678 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City collective pension expense, collective deferred outflows and collective deferred inflows totaled (\$46,161), \$166,575 and \$246,810.

*Actuarial assumptions* – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Salary Increases (effective June 30, 2014)	4.00 to 17.00 percent average, including inflation. Rates vary by membership group.
Investment Rate of Return (effective June 30, 2014)	7.50 percent per annum, compounded annually, net of pension plan investment expense, and including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Generational Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

**CITY OF ROCK VALLEY, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 6 – PENSION PLAN (CONTINUED)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

*Discount rate* – The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.* The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.5 percent) than the current rate.

	<b>1% Decrease 6.5%</b>	<b>Discount Rate 7.5%</b>	<b>1% Increase 8.5%</b>
City's proportionate share of the net Pension liability	\$ 955,633	\$ 385,280	\$ (53,444)

*Pension plan fiduciary net position* – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**NOTE 7 – RISK MANAGEMENT**

The City of Rock Valley is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The City is

**CITY OF ROCK VALLEY, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 7 – RISK MANAGEMENT (CONTINUED)**

exposed to an employee group medical insurance risk of the difference between a deductible and a fringe benefit with an estimated total risk of \$51,150.

**NOTE 8 – INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2015, is as follows:

<b>Fund</b>	<b>Road Use Tax</b>	<b>Local Option Sales Tax</b>	<b>TIF Fund</b>	<b>Debt Service</b>	<b>Garbage Utility</b>	<b>Water Utility</b>	<b>Sewer Utility</b>
General	\$114,588	\$174,927	\$ -	\$ -	\$40,000	\$ 75,000	\$200,000
Debt Service	-	300,000	1,086,963	-	-	400,000	350,000
Capital Projects	-	22,503	-	2,790,000	-	427,611	-
Non-Major	-	-	50,000	-	-	-	-
<b>Total Transfers Out</b>	<b>\$114,588</b>	<b>\$497,430</b>	<b>\$1,136,963</b>	<b>\$2,790,000</b>	<b>\$40,000</b>	<b>\$902,611</b>	<b>\$550,000</b>

<b>Fund</b>	<b>Capital Projects</b>	<b>Capital Levy</b>	<b>Campground</b>	<b>Non-Major</b>	<b>Total Transfers In</b>
General	\$ -	\$ -	\$ 40,000	\$ 22,803	\$ 667,318
Debt Service	313	-	-	-	2,137,276
Capital Projects	-	156,040	-	-	3,396,154
Non-Major	36,000	-	-	-	86,000
<b>Total Transfers Out</b>	<b>\$ 36,313</b>	<b>\$ 156,040</b>	<b>\$ 40,000</b>	<b>\$ 22,803</b>	<b>\$6,286,748</b>

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. Move revenues restricted to debt service from the fund collecting the revenues to the debt service fund as debt service payments become due.

**NOTE 9 – SELF FUNDED INSURANCE**

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 20 active members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits is provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$335 for single coverage and \$739 for family coverage. For the year ended June 30, 2015, the City contributed \$171,357 and plan members eligible for benefits contributed \$-0- to the plan.

**CITY OF ROCK VALLEY, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE 10 – DEFICIT FUND BALANCES**

The City had seven funds with deficit fund balances as of June 30, 2015. The City intends to finance these deficits from various resources including: general funds, special assessments, TIF collections and capital project debt financing.

The individual fund deficits are as follows:

General .....	\$ 249,148
Capital Projects .....	311,666
Nonmajor Special Revenue – Urban Renewal Tax Increment Financing (TIF).....	67,869
Nonmajor Special Revenue – Local Housing Assistance....	114,729
Enterprise – Garbage.....	147,907
Enterprise - Water.....	226,419
Enterprise – Campground.....	55,880

**NOTE 11 – SUBSEQUENT EVENTS**

On July 28, 2015, the City approved financing in an amount not to exceed \$1,040,000 for various street and sidewalk paving and utility projects. As of June 30, 2015, no funds had been received by the City.

In late June 2014, the Rock River in the City of Rock Valley incurred severe flooding causing significant damage to the City's infrastructure and homes in the City. The City of Rock Valley was approved for a Community Disaster Loan for \$939,094 from the Federal Emergency Management Agency. As of June 30, 2015, no funds had been received by the City.

**NOTE 12 – CONTINGENT LIABILITY**

It was found during Single Audit testing that the City had incorrectly included in their reimbursed Category A and B FEMA disaster project expenditures, amounts which were actually donated resources and not eligible for reimbursement. At the time of issuance, resolution of this issue was still unknown, however, it appeared probable that the City would either have to incur eligible expenditures or refund a portion of grant funding. Either scenario would be a significant financial impact to the City.

## OTHER INFORMATION

**CITY OF ROCK VALLEY, IOWA**  
**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,**  
**DISBURSEMENTS AND CHANGES IN BALANCES BUDGET AND ACTUAL**  
**(CASH BASIS)- ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2015**

	Budgeted Amount Original	Actual	Variance with Final Budget Positive (Negative)
Receipts:			
Taxes	\$ 1,211,227	\$ 1,278,481	\$ 67,254
Local Option Sales Tax	449,706	390,528	(59,178)
Other city taxes	124,000	209,953	85,953
Licenses and Permits	4,870	5,075	205
Intergovernmental	406,966	2,251,434	1,844,468
Charges for Services	2,251,550	2,136,680	(114,870)
Contributions	-	74,078	74,078
TIF Revenue	1,350,000	1,366,396	16,396
Rental of City Property	-	7,740	7,740
Interest	-	3,444	3,444
Reimbursements	-	47,541	47,541
Miscellaneous	1,420,500	396,037	(1,024,463)
Total Receipts	7,218,819	8,167,387	948,568
Disbursements			
Public Safety	710,900	786,392	(75,492)
Public Works	373,300	905,330	(532,030)
Culture and Recreation	514,550	742,952	(228,402)
Community and Economic Development	578,650	484,962	93,688
General Government	266,600	514,158	(247,558)
Capital Projects	2,654,000	4,203,841	(1,549,841)
Debt Service	1,873,420	2,129,380	(255,960)
Business Type / Enterprises	1,462,975	1,435,288	27,687
Total Disbursements	8,434,395	11,202,303	(2,767,908)
Excess (deficiency) of receipts over disbursements	(1,215,576)	(3,034,916)	(1,819,340)
Other financing sources (uses):			
Proceeds from General Obligation Bonds	-	2,400,000	2,400,000
Proceeds from Revenue Bonds	-	390,000	390,000
Proceeds from Operating Loan	-	250,000	250,000
Transfers In	4,362,980	6,286,748	1,923,768
Transfers (Out)	(2,962,980)	(6,286,748)	(3,323,768)
Total other financing sources	1,400,000	3,040,000	1,640,000
Excess of receipts and other financing sources over disbursements and other financing uses	184,424	5,084	(179,340)
Balances Beginning of Year	358,540	358,540	-
Balances End of Year	\$ 542,964	\$ 363,624	\$ -

**CITY OF ROCK VALLEY, IOWA**  
**NOTES TO OTHER INFORMATION – BUDGETARY REPORTING**  
**JUNE 30, 2015**

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The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2015, disbursements exceeded amounts budgeted in the public safety, public works, culture and recreation, capital project, debt service and general government functions.

CITY OF ROCK VALLEY, IOWA  
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
 THE NET PENSION LIABILITY  
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM LAST FISCAL YEAR\*  
 OTHER INFORMATION  
 FOR THE YEAR ENDED JUNE 30, 2015

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	2015
City's proportion of the net pension liability	.0102963%
City's proportionate share of the net pension liability	\$ 385,280
City's covered-employee payroll	\$ 1,051,131
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	36.65%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\*The amounts presented for each fiscal year were determined as of June 30.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

**CITY OF ROCK VALLEY, IA  
SCHEDULE OF THE CITY CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN YEARS  
OTHER INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015**

	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 97,273	\$ 74,023	\$ 82,713	\$ 73,541	\$ 64,234
Contributions in relation to the statutorily required contribution	(97,273)	(74,023)	(82,713)	(73,541)	(64,234)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll	\$ 1,051,131	\$ 801,630	\$ 911,238	\$ 858,973	\$ 829,433
Contributions as a percentage of covered-employee payroll	9.25%	9.23%	9.08%	8.56%	7.74%

	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 54,208	\$ 67,781	\$ 44,785	\$ 41,041	\$ 24,513
Contributions in relation to the statutorily required contribution	(54,208)	(67,781)	(44,785)	(41,041)	(24,513)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll	\$ 740,225	\$ 884,464	\$ 660,957	\$ 618,845	\$ 426,318
Contributions as a percentage of covered-employee payroll	7.32%	7.66%	6.78%	6.63%	5.75%

See accompanying Independent Auditor's Report

**CITY OF ROCK VALLEY, IA  
NOTES TO OTHER INFORMATION –  
PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2015**

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**Changes of Benefit Terms:**

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

**Changes of Assumptions**

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

**CITY OF ROCK VALLEY, IA  
NOTES TO OTHER INFORMATION –  
PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2015**

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The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

## OTHER SUPPLEMENTARY INFORMATION

**CITY OF ROCK VALLEY, IOWA**  
**COMBINING STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**AND CHANGES IN CASH BALANCES**  
**Governmental Nonmajor Funds**  
**As of and For the Year Ended June 30, 2015**

**Schedule 1**

	Special Revenue Funds			Total
	Urban Renewal Tax Increment	Local Housing Assistance	Emergency Levy	Nonmajor Governmental Funds
Receipts:				
Property Taxes	\$ -	\$ -	\$ 22,284	\$ 22,284
Intergovernmental	-	-	519	519
Reimbursements	951	46,590	-	47,541
Total Receipts	951	46,590	22,803	70,344
Disbursements:				
Community and Economic Development	-	113,052	-	113,052
Total Disbursements	-	113,052	-	113,052
Excess (Deficiency) of Receipts over Disbursements	951	(66,462)	22,803	(42,708)
Other financing sources (uses):				
Transfers In	-	86,000	-	86,000
Transfers Out	-	-	(22,803)	(22,803)
Total other financing sources	-	86,000	(22,803)	63,197
Change in Cash Balances	951	19,538	-	20,489
Cash Balances (Deficits) - Beginning of Year	(68,820)	(134,267)	-	(203,087)
Cash Balances (Deficits) - End of Year	\$ (67,869)	\$ (114,729)	\$ -	\$ (182,598)
Cash Basis Fund Balances (Deficits)				
Unassigned	\$ (67,869)	\$ (114,729)	-	\$ (182,598)
Total Cash Basis Fund Balances (Deficits)	\$ (67,869)	\$ (114,729)	\$ -	\$ (182,598)

**CITY OF ROCK VALLEY, IOWA**  
**SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -**  
**ALL GOVERNMENTAL FUNDS**  
**For the Ten Years Ended**  
**June 30, 2015**

	2015	2014	2013	2012
Receipts:				
Property tax	\$ 1,278,481	\$ 1,109,946	\$ 1,059,129	\$ 987,446
Tax increment financing revenue	1,366,396	1,289,016	1,362,663	1,406,356
Local Option Sales Tax	390,528	360,843	-	-
Other city tax	-	-	378,015	338,681
Licenses and permits	5,075	6,090	5,040	4,950
Use of money and property	11,184	12,363	19,807	15,127
Intergovernmental	2,218,074	457,133	410,797	1,175,789
Charges for service	501,138	449,208	616,311	490,765
Special Assessments	-	5,590	3,550	44,341
Reimbursements	47,541	27,519	-	-
Miscellaneous	470,115	255,921	612,869	491,049
Proceeds from Debt Financing	3,040,000	1,900,000	830,000	-
Total	<u>\$ 9,328,532</u>	<u>\$ 5,873,629</u>	<u>\$ 5,298,181</u>	<u>\$ 4,954,504</u>
Disbursements:				
Operating:				
Public safety	\$ 786,392	\$ 651,381	\$ 725,525	\$ 742,987
Public works	905,330	328,111	300,265	322,083
Culture and recreation	742,952	536,499	527,853	395,948
Community and economic development	484,962	497,446	434,955	826,874
General government	514,158	476,150	363,621	392,611
Debt service	2,129,380	1,846,219	1,818,924	1,671,222
Capital projects	4,203,841	2,528,976	966,494	1,957,568
Total	<u>\$ 9,767,015</u>	<u>\$ 6,864,782</u>	<u>\$ 5,137,637</u>	<u>\$ 6,309,293</u>

See accompanying independent auditor's report

**Schedule 2**

2011	2010	2009	2008	2007	2006
\$ 926,970	\$ 773,687	\$ 687,508	\$ 682,135	\$ 625,775	\$ 634,496
1,377,680	1,237,110	1,179,064	1,010,235	927,644	738,871
-	-	-	-	-	-
296,081	274,145	294,471	277,616	250,622	235,733
2,820	3,433	4,683	5,550	3,720	4,231
31,208	23,920	33,499	42,345	62,445	43,234
706,807	294,898	253,255	931,197	253,368	258,274
532,470	608,691	152,308	88,893	94,323	96,027
208,274	22,820	8,549	-	33,803	36,273
-	-	-	-	-	-
562,209	413,509	426,063	437,382	670,368	812,657
-	-	-	-	-	-
\$ 4,644,519	\$ 3,652,213	\$ 3,039,400	\$ 3,475,353	\$ 2,922,068	\$ 2,859,796

\$ 583,228	\$ 600,269	\$ 493,165	\$ 399,134	\$ 490,967	\$ 421,157
252,038	280,365	349,585	253,151	178,929	247,090
550,449	474,454	498,116	389,558	425,848	473,401
829,052	407,636	1,234,591	466,188	746,409	510,884
327,383	385,325	310,313	347,828	341,847	296,338
1,551,166	1,112,994	964,386	744,144	695,899	418,412
2,895,674	4,829,632	3,692,617	3,754,667	625,366	1,383,236
\$ 6,988,990	\$ 8,090,675	\$ 7,542,773	\$ 6,354,670	\$ 3,505,265	\$ 3,750,518

See accompanying independent auditor's report

CITY OF ROCK VALLEY  
SCHEDULE OF INDEBTEDNESS  
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 3

Obligation Type	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and unpaid
<b>General Obligation:</b>									
G.O. Capital Loan Notes- Series 2007	9/25/2007	3.85-4.25%	\$ 1,500,000	\$ 570,000	\$ -	\$ 180,000	\$ 390,000	\$ 23,950	\$ -
G.O. Capital Loan Notes- Series 2006	9/25/2006	3.75-4.30%	850,000	200,000	-	100,000	100,000	8,618	-
G.O. Capital Loan Notes- 300th Street	9/1/2005	3.85%	800,000	186,857	-	95,000	101,857	8,858	-
G.O. Fire Fighting Equipment Notes	10/11/2004	0%	150,000	7,500	-	7,500	-	-	-
G.O. Capital Loan Notes- Series 2005	10/1/2005	2.00-3.90%	1,155,000	140,000	-	140,000	-	5,460	-
G.O. Capital Loan Notes- Series 2008	6/30/2008	2.45-4.20%	1,500,000	740,000	-	170,000	570,000	30,020	-
G.O. Capital Loan Notes- Series 2009	2/19/2009	2.50-4.90%	435,000	265,000	-	40,000	225,000	11,626	-
G.O. Capital Loan Notes- Series 2009	8/27/2009	4.00-5.00%	370,000	220,000	-	35,000	185,000	10,600	-
G.O. Capital Loan Notes- Series 2010	6/30/2010	2.20-4.30%	1,160,000	825,000	-	110,000	715,000	32,318	-
G.O. Capital Loan Notes- Series 2011	10/6/2011	2.50-3.95%	600,000	480,000	-	50,000	430,000	15,830	-
G.O. Capital Loan Notes- Series 2012	8/15/2012	2.50-3.50%	830,000	740,000	-	50,000	680,000	22,215	-
G.O. Capital Loan Notes- Series 2013	8/14/2013	2.50-4.40%	1,900,000	1,800,000	-	120,000	1,680,000	65,610	-
G.O. Capital Loan Notes- Series 2014	7/1/2014	2.50-4.25%	2,400,000	-	2,400,000	125,000	2,275,000	75,329	-
Total G.O. Bonds				\$ 6,184,357	\$ 2,400,000	\$ 1,232,500	\$ 7,351,857	\$ 310,234	\$ -
<b>Tax Increment Financing Revenue Bonds:</b>									
Tax Increment (TIF)	2/19/2009	2.70-5.20%	\$ 565,000	\$ 355,000	\$ -	\$ 60,000	\$ 295,000	\$ 16,660	\$ -
<b>Revenue Notes:</b>									
Water Revenue Notes- 2008	6/30/2008	2.60-4.33%	\$ 450,000	\$ 220,000	\$ -	\$ 50,000	\$ 170,000	\$ 9,260	\$ -
Sewer Revenue Notes- 2008	6/30/2008	2.60-4.35%	260,000	120,000	-	30,000	90,000	5,040	-
Drinking Water Planning & Design Loan	2/4/2009	3.00%	1,359,000	1,095,000	-	58,000	1,037,000	32,850	-
Clean Water Planning & Design Loan	11/4/2009	3.00%	3,947,795	3,334,000	-	162,000	3,172,000	100,020	-
Sewer Revenue Note-2015	1/15/2015	2.50-4.50%	390,000	-	390,000	30,000	360,000	280	-
Total Revenue Bonds				\$ 4,769,000	\$ 390,000	\$ 330,000	\$ 4,828,000	\$ 147,430	\$ -
<b>Operating Loans:</b>									
Operating Note - Peoples Bank	9/30/2014	Variable	\$ 500,000	\$ -	\$ 250,000	\$ -	\$ 250,000	\$ -	\$ -

CITY OF ROCK VALLEY, IOWA  
BOND AND NOTE MATURITIES  
June 30, 2015

Schedule 4

General Obligation Notes

Year Ending June 30,	Series 2007		Series 2014		Series 2012	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 190,000	\$ 16,480	\$ 150,000	\$ 80,830	\$ 70,000	\$ 20,714
2017	200,000	8,500	175,000	77,080	80,000	18,966
2018	-	-	200,000	72,705	90,000	16,924
2019	-	-	225,000	66,605	100,000	14,406
2020	-	-	250,000	59,292	110,000	11,404
2021	-	-	275,000	50,667	110,000	7,886
2022	-	-	300,000	40,630	120,000	4,200
2023	-	-	335,000	29,080	-	-
2024	-	-	365,000	15,513	-	-
	<u>\$ 390,000</u>	<u>\$ 24,980</u>	<u>\$ 2,275,000</u>	<u>\$ 492,402</u>	<u>\$ 680,000</u>	<u>\$ 94,500</u>

CITY OF ROCK VALLEY, IOWA  
BOND AND NOTE MATURITIES  
June 30, 2015

Schedule 4

General Obligation Notes

Year Ending June 30,	Capital Loan Series 2013		Capital Loan Series 2006		Capital Loan Series 2009	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 140,000	\$ 62,610	\$ 100,000	\$ 4,360	\$ 50,000	\$ 10,086
2017	160,000	58,830	-	-	50,000	8,036
2018	180,000	54,190	-	-	60,000	5,886
2019	200,000	48,430	-	-	65,000	3,186
2020	220,000	41,330	-	-	-	-
2021	240,000	32,970	-	-	-	-
2022	260,000	23,370	-	-	-	-
2023	280,000	12,320	-	-	-	-
2024	-	-	-	-	-	-
	<u>\$ 1,680,000</u>	<u>\$ 334,050</u>	<u>\$ 100,000</u>	<u>\$ 4,360</u>	<u>\$ 225,000</u>	<u>\$ 27,194</u>

CITY OF ROCK VALLEY, IOWA  
BOND AND NOTE MATURITIES  
June 30, 2015

Schedule 4

General Obligation Notes						
Year Ending June 30,	Capital Loan 300th Street		Capital Loan Series 2010		Capital Loan Series 2011	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 101,857	\$ 5,756	\$ 122,000	\$ 28,678	\$ 60,000	\$ 14,380
2017	-	-	133,000	24,588	65,000	12,850
2018	-	-	145,000	19,336	70,000	10,996
2019	-	-	155,000	13,390	75,000	8,758
2020	-	-	160,000	6,880	75,000	6,170
2021	-	-	-	-	85,000	3,358
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
	<u>\$ 101,857</u>	<u>\$ 5,756</u>	<u>\$ 715,000</u>	<u>\$ 92,872</u>	<u>\$ 430,000</u>	<u>\$ 56,512</u>

CITY OF ROCK VALLEY, IOWA  
BOND AND NOTE MATURITIES  
June 30, 2015

Schedule 4

General Obligation Notes						
Year Ending June 30,	Capital Loan Series 2008		Capital Loan Series 2009		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 180,000	\$ 23,390	\$ 40,000	\$ 8,990	\$ 1,203,857	\$ 276,274
2017	190,000	16,190	45,000	7,110	1,098,000	232,150
2018	200,000	8,400	50,000	4,950	995,000	193,387
2019	-	-	50,000	2,500	870,000	157,275
2020	-	-	-	-	815,000	125,076
2021	-	-	-	-	710,000	94,881
2022	-	-	-	-	680,000	68,200
2023	-	-	-	-	615,000	41,400
2024	-	-	-	-	365,000	15,513
	<u>\$ 570,000</u>	<u>\$ 47,980</u>	<u>\$ 185,000</u>	<u>\$ 23,550</u>	<u>\$ 7,351,857</u>	<u>\$ 1,204,158</u>

CITY OF ROCK VALLEY, IOWA  
BOND AND NOTE MATURITIES  
June 30, 2015

Schedule 4

Revenue Loans						
Year Ending June 30,	Drinking Water Planning & Design (Water)		Clean Water Planning & Design (Sewer)		2015 Sewer Revenue Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 60,000	\$ 33,595	\$ 176,000	\$ 100,110	\$ 35,000	\$ 18,298
2017	62,000	31,915	182,000	94,830	35,000	12,728
2018	64,000	29,900	188,000	89,370	35,000	11,503
2019	66,000	27,780	194,000	83,370	40,000	10,278
2020	68,000	25,675	200,000	77,910	40,000	8,778
2021	70,000	23,465	207,000	71,910	40,000	7,278
2022	73,000	21,190	213,000	65,700	45,000	5,738
2023	75,000	18,818	220,000	59,310	45,000	3,938
2024	77,000	16,380	227,000	52,710	45,000	2,025
2025	80,000	13,878	235,000	45,900	-	-
2026	83,000	11,278	243,000	38,850	-	-
2027	85,000	8,580	250,000	31,560	-	-
2028	88,000	5,818	259,000	24,060	-	-
2029	86,000	2,958	267,000	16,290	-	-
2030	-	-	111,000	8,280	-	-
	<u>\$ 1,037,000</u>	<u>\$ 271,230</u>	<u>\$ 3,172,000</u>	<u>\$ 860,160</u>	<u>\$ 360,000</u>	<u>\$ 80,564</u>

CITY OF ROCK VALLEY, IOWA  
BOND AND NOTE MATURITIES  
June 30, 2015

Schedule 4

Revenue Loans

Year Ending June 30,	2008 Sewer Revenue Notes		2008 Water Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 30,000	\$ 3,828	\$ 50,000	\$ 7,236	\$ 351,000	\$ 163,065
2017	30,000	2,580	60,000	5,160	369,000	147,213
2018	30,000	1,306	60,000	2,610	377,000	134,889
2019	-	-	-	-	300,000	121,428
2020	-	-	-	-	308,000	112,363
2021	-	-	-	-	317,000	102,653
2022	-	-	-	-	331,000	92,628
2023	-	-	-	-	340,000	82,066
2024	-	-	-	-	349,000	71,115
2025	-	-	-	-	315,000	59,778
2026	-	-	-	-	326,000	50,128
2027	-	-	-	-	335,000	40,140
2028	-	-	-	-	347,000	29,878
2029	-	-	-	-	353,000	19,248
2030	-	-	-	-	111,000	8,280
	<u>\$ 90,000</u>	<u>\$ 7,712</u>	<u>\$ 170,000</u>	<u>\$ 15,006</u>	<u>\$ 4,829,000</u>	<u>\$ 1,234,672</u>

CITY OF ROCK VALLEY, IOWA  
 BOND AND NOTE MATURITIES  
 June 30, 2015

Schedule 4

Year Ending June 30,	Revenue Bonds	
	Tax Increment Financing Revenue Bonds	
	Principal	Interest
2016	\$ 60,000	\$ 14,201
2017	70,000	11,561
2018	80,000	8,341
2019	85,000	7,606
	<u>\$ 295,000</u>	<u>\$ 41,709</u>

CITY OF ROCK VALLEY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CASH BASIS)  
YEAR ENDED JUNE 30, 2015

	CFDA Number	Project/Contract Number	Federal Expenditures
<b>Indirect:</b>			
DEPARTMENT OF HOMELAND SECURITY			
Iowa Homeland Security and Emergency Management:			
Disaster Grants- Public Assistance	97.036	FEMA-4184	\$ 690,610
Total Expenditures of Federal Awards			<u>\$ 690,610</u>

**Note 1** - Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Rock Valley, Iowa, and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**Note 2** - The flood disaster occurred starting June 14, 2014. However, the disaster declaration was not made until July 24, 2014. Therefore, all expenditures that occurred from June 14, 2014 through June 30, 2014, will be reported on the above Schedule of Expenditures of Federal Awards for Fiscal Year 2015, as the disaster was not declared and Project Worksheet's not approved until Fiscal Year 2015. The amount incurred in Fiscal Year 2014 consisted entirely of donated resources.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARD**

To the City Council  
Members of the City Council  
City of Rock Valley  
Rock Valley, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rock Valley, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Rock Valley, Iowa's basic financial statements, and have issued our report thereon dated March 22, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Rock Valley, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Rock Valley, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Rock Valley, Iowa's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001 and 2015-002 to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Rock Valley, Iowa's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings and Questioned Costs. Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based

exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### **City of Rock Valley, Iowa's Responses to Findings**

The City of Rock Valley's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City of Rock Valley, Iowa's responses and, accordingly, we express no opinion on them.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of the City of Rock Valley during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

  
Certified Public Accountants

Le Mars, Iowa  
March 22, 2016



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P.O. Box 1010  
Le Mars, IA 51031  
Phone (712) 546-7801  
Fax (712) 546-6543  
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Honorable Mayor and  
Members of the City Council  
Rock Valley, Iowa

**Report on Compliance for Each Major Federal Program**

We have audited the City of Rock Valley, Iowa's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Rock Valley, Iowa's major federal programs for the year ended June 30, 2015. The City of Rock Valley, Iowa's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Rock Valley, Iowa's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Rock Valley, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Rock Valley, Iowa's compliance.

***Basis for Qualified Opinion***

As described in the accompanying schedule of findings and questioned costs, the City of Rock Valley, Iowa did not comply with requirements regarding CFDA 97.036 Disaster Grants – Public Assistance as described in finding number 2015-003 for Allowable Costs and Cash Management. Compliance with such requirements is necessary, in our opinion, for the City of Rock Valley, Iowa to comply with the requirements applicable to that program.

***Qualified Opinion***

In our opinion, except for the non-compliance described in the Basis for Qualified Opinion paragraph, the City of Rock Valley, Iowa complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on 97.036 Disaster Grants – Public Assistance for the year ended June 30, 2015.

### **Other Matters**

City of Rock Valley, Iowa's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Rock Valley, Iowa's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of the City of Rock Valley, Iowa, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Rock Valley, Iowa's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Rock Valley, Iowa's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-004 to be a material weakness.

The City of Rock Valley, Iowa's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Rock Valley, Iowa's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
Certified Public Accountants

Le Mars, Iowa  
March 22, 2016

**CITY OF ROCK VALLEY, IOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**Part I – Summary of the Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- (e) A modified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with the Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 97.036 – Disaster Grants Public Assistance
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) City of Rock Valley, Iowa did not qualify as a low-risk auditee.

**Part II – Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**MATERIAL WEAKNESSES:**

**2015-001 Financial Accounting – Segregation of Duties**

Condition and Criteria – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The City Clerk is involved in almost all phases of the finance operations, including cash receipts listing, bank deposits, check preparation, preparation of journal entries, as well as financial reporting and statements.

**CITY OF ROCK VALLEY, IOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**Part II – Findings Related to the Financial Statements (Continued):**

Effect – The financial accounting is susceptible to an increased risk of errors and omissions and risk of fraud and/or misappropriations of assets.

Cause – With a limited number of personnel and time-constraints, review of all financial accounting activities is not feasible.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

View of Responsible Officials – The City feels that additional personnel would not be cost effective. However, management will monitor transactions on a regular basis.

**2015-002 Financial Reporting**

Condition and Criteria – During the audit, we identified multiple instances of revenues, disbursements and transfers that were not properly recorded in the general ledger.

Effect – Because the current accounting procedures did not identify these certain revenues, disbursement and transfers, the financial statements are susceptible to increased risk of errors and omissions.

Cause – Procedures for identifying and recording certain financial statement transactions are inadequate.

Recommendation – The City should implement procedures to ensure all revenues, disbursements and transfers are properly classified and recorded in the City's financial statements.

Views of Responsible Officials – The City will review receipts, disbursements and transfers to ensure that they are properly recorded in the financial statements.

**Part III – Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

**CFDA Number 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)**

**Pass-through Agency Number: FEMA-4184-DRIA**

**Federal Award Year: 2015**

**U.S. Department of Homeland Security**

**Iowa Department of Homeland Security and Emergency Management**

**Questioned Cost: \$ 186,827**

**2015-003 Condition and Criteria** – It was found that costs were included in two Category A and B type projects (PW#260 and PW#231) which were actually donated labor and equipment hours. Donated resources are not allowable costs and are not reimbursable through Category A and B projects.

**CITY OF ROCK VALLEY, IOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**Part III – Findings and Questioned Costs For Federal Awards (Continued):**

Effect – As a result, the city has been reimbursed for expenditures that they have not incurred and currently are not allowable grant expenditures. Also, as a result of this condition the City has a cash on hand issue as they received funding for expenditures not yet incurred. Also, depending on the resolution of this situation the amount of donated resources reimbursable in PW#206 may be affected as the non-federal portion of Category A and B projects could be affected.

Cause – This was caused by miscommunication between the granting agency and the City as well as the City not obtaining a thorough knowledge of the allowable costs for each project type.

Recommendation – The City should correspond with the Iowa Department of Homeland Security and Emergency Management and FEMA and discuss the proper resolution for the situation. Also, in future years and projects the City should ensure proper compliance and understanding of all compliance requirements of grant funding.

Views of Responsible Officials – The City will immediately be in contact with the Iowa Department of Homeland Security and Emergency Management and FEMA and work to quickly and effectively resolve the issue and will also strive to fully obtain understanding and stay compliant with all grant requirements.

**MATERIAL WEAKNESSES:**

**CFDA Number 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)**

**Pass-through Agency Number: FEMA-4184-DRIA**

**Federal Award Year: 2015**

**U.S. Department of Homeland Security**

**Iowa Department of Homeland Security and Emergency Management**

**2015-004** Condition and Criteria – During the audit, we identified material adjustments that were required to be made to the City's Schedule of Expenditures of Federal Awards.

Effect – Inadequate reporting of the Schedule of Expenditures of Federal Awards which could result in instances of non-compliance or material weaknesses.

Cause – Procedures were not sufficient enough to ensure the Schedule of Expenditures of Federal awards was properly completed.

Recommendation – The City should implement procedures to ensure the Schedule of Expenditures of Federal Awards was properly completed.

Views of Responsible Officials – Recommendation accepted.

CITY OF ROCK VALLEY, IOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

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**Part IV – Other Findings Related to Statutory Reporting:**

**2015-005 Certified Budget** – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public safety, public works, culture and recreation, capital project, debt service and general government functions.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

**2015-006 Questionable Disbursement** – We noted no disbursements that did not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.

**2015-007 Travel Expense** – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**2015-008 Business Transactions** – Business transactions between the City and City officials and/or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction/Description</u>		
Van's Food Pride, owned by Mayor, Kevin Van Otterloo	Supplies and groceries	\$ 7,042	(1)
Professional Insurance Association, owned by Council Member, Jeff Koldenhoven	Insurance	\$111,140	(1)

(1) This transaction may represent a conflict of interest and the City should contact legal council for determination as per Chapter 331.342 (j) of the Code of Iowa. Per City management it was noted that the City's board did approve the transactions.

**2015-009 Bond Coverage** – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

**2015-010 Council Minutes** – No transactions were found that we believe should have been approved in the Council minutes but were not.

**2015-011 Deposits and Investments** – We noted no instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policies.

**2015-012 Revenue Bonds and Notes** – No instances of non-compliance with the revenue bond and note resolutions were noted.

**2015-013 Urban Renewal Annual Report** – The urban renewal annual report was approved and certified to the Iowa Department of Management on or before December 1.

CITY OF ROCK VALLEY, IOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

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**Part IV – Other Findings Related to Statutory Reporting (Continued):**

**2015-014 Annual Financial Report** – The annual financial report was not filed by December 1.

Recommendation – The annual financial report should be completed by December 1 to comply with the Code of Iowa.

Response – The City will work to complete the annual financial report by December 1 in the future.

Conclusion – Response accepted.

Mayor  
Kevin Van Otterloo  
City Administrator  
Tom Van Maanen  
City Clerk  
Tina Vande Kamp



Council Members  
Mark Faber  
Jeff Koldenhoven  
Dale Kooima  
Bonita Van Otterloo  
Jeremy Van't Hul

*Schedule of Findings and Questioned Costs  
Corrective Action Plan*

**June 30, 2015**

**Department of Homeland Security**

The City of Rock Valley, Iowa, respectfully submits the following corrective action plan for the year ended June 30, 2015.

The audit was performed by Williams & Company, P.C., P.O. Box 1010, Le Mars, Iowa, for the fiscal year ended June 30, 2015.

The findings from the June 30, 2015 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

**INSTANCES OF NON-COMPLIANCE:**

**2015-003** Condition and Criteria – It was found that costs were included in two Category A and B type projects (PW#260 and PW#231) which were actually donated labor and equipment hours. Donated resources are not allowable costs and are not reimbursable through Category A and B projects.

Effect – As a result, the city has been reimbursed for expenditures that they have not incurred and currently are not allowable grant expenditures. Also, as a result of this condition the City has a cash on hand issue as they received funding for expenditures not yet incurred. Also, depending on the resolution of this situation the amount of donated resources reimbursable in PW#206 may be affected as the non-federal portion of Category A and B projects could be affected.

Cause – This was caused by miscommunication between the granting agency and the City as well as the City not obtaining a thorough knowledge of the allowable costs for each project type.

Recommendation – The City should correspond with the Iowa Department of Homeland Security and Emergency Management and FEMA and discuss the proper resolution for the situation. Also, in future years and projects the City should ensure proper compliance and understanding of all compliance requirements of grant funding.

Views of Responsible Officials – The City will immediately be in contact with the Iowa Department of Homeland Security and Emergency Management and FEMA and work to quickly and effectively resolve the issue and will also strive to fully obtain understanding and stay compliant with all grant requirements.

MATERIAL WEAKNESS:

**2015-004** Condition and Criteria – During the audit, we identified material adjustments that were required to be made to the City's Schedule of Expenditures of Federal Awards.

Effect – Inadequate reporting of the Schedule of Expenditures of Federal Awards which could result in instances of non-compliance or material weaknesses.

Cause – Procedures were not sufficient enough to ensure the Schedule of Expenditures of Federal awards was properly completed.

Recommendation – The City should implement procedures to ensure the Schedule of Expenditures of Federal Awards was properly completed.

Views of Responsible Officials – Recommendation accepted.

If the Department of Homeland Security has questions regarding this plan, please call Tom Van Maanen at 712-476-2586.

Sincerely yours,

CITY OF ROCK VALLEY, IOWA

A handwritten signature in black ink, appearing to read 'T. Van Maanen', written over a horizontal line.

Tom Van Maanen, City Administrator